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Viewing cable 08CARACAS1638, VENEZUELAN GOVERNMENT VERSUS THE COMBO MEAL

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08CARACAS1638**.

Reference ID	Created	Released	Classification	Origin
08CARACAS1638	2008-12-02 20:16	2011-08-30 01:44	CONFIDENTIAL	Embassy Caracas

Appears in these articles:

<http://www.mcclatchydc.com/2011/05/05/113760/wikileaks-us-venezuela-even-fought.html>

VZCZCXRO4263
PP RUEHAO RUEHGA RUEHGD RUEHHA RUEHGO RUEHMC RUEHMT RUEHNG RUEHNL
RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC
DE RUEHCV #1638/01 3372016
ZNY CCCCC ZZH
P 022016Z DEC 08
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 2210
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RUCPDO/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RUMIAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 001638

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MMALLOY
COMMERCE FOR 4431/MAC/WH/JLAO
SECSTATE PASS AGRICULTURE ELECTRONICALLY

E.O. 12958: DECL: 12/03/2018
TAGS: [ECON](#) [PGOV](#) [PREL](#) [ETRD](#) [EAGR](#) [VE](#)
SUBJECT: VENEZUELAN GOVERNMENT VERSUS THE COMBO MEAL

REF: A. CARACAS 1090
[1](#)B. CARACAS 1444
[1](#)C. CARACAS 1570

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: The Venezuelan consumer protection law, passed July 2008, requires the government to approve all sales promotions with an eye to curtailing "excessive consumption" and punishing "capitalist impresarios" while also seeking to eliminate hoarding and speculation, particularly with food stuffs, medicines and cars. The law, which lacks any implementing legislation, is wide open to interpretation and has led to odd rulings resulting in frequent restaurant closures and bans on such promotions as fast food combo meals and "two for one Tuesdays". While some franchises have reached a temporary compromise with the consumer protection agency on how they can reinstate their popular promotions without violating the vague provisions of the law, the Venezuelan Franchise Chamber reports confusion regarding the new law still reigns in the industry and opportunities for official corruption are rife. END SUMMARY.

[1](#)2. (C) On November 25, Emboffs met with XXXXXXXXXXXX Franquicias XXXXXXXXXXXX(protect) to discuss the new consumer protection law. XXXXXXXXXXXX called the new law, which was one of the 26 laws the Venezuelan government passed in July 2008 (ref A), "very dangerous" with ample opportunities for corruption. Because the government has failed to establish any implementing regulations, Institute for the Defense of Persons in their Access to Goods and Services (Indepabis) inspectors are free to interpret the law as they see fit. As a result, Indepabis inspectors have fined and assisted in the closure of franchises (ref B), with the latter resulting in considerable tax revenue losses for the government, and ruled numerous sales promotions illegal. Indepabis explained that in the case of Domino's, "two for one Tuesdays" discriminated against persons (Indepabis does not like the word consumer as it is too capitalist) who would like to eat pizza on the other days of the week. XXXXXXXXXXXX added the government is trying to punish high profile "capitalist impresarios" in its quest to advance its socialist, anti-consumerism agenda.

[1](#)3. (C) McDonald's Latin American Global Communications Manager told the Commercial section on December 1 that, of its 134 restaurants in Venezuela, more than half of them receive daily Indepabis inspections. XXXXXXXXXXXX indicated that franchises such as McDonald's and Domino's have their lawyers

working around the clock to figure out ways to save promotions such as the ever popular combo meal and two for one promotions. Some appear to have reached tentative agreements with Indepabis. Nevertheless, XXXXXXXXXXXX reported the industry still does not know what the law means for franchises, and restaurants fear the government could shut them down at any time for any reason. The businesses have no recourse for wrongful closure and fines as the Franchise Chamber feels no court would seriously entertain their appeals. Pharmacies have also been affected with Indepabis banning economy sizes of over the counter medicines. Indepabis reasoned that larger sizes encourage the "excessive consumption" of medicine. Indepabis is also involved in the possible prosecution of Ford dealers for "excessive profits" (ref C).

14. (C) XXXXXXXXXXXX added that he sends weekly meeting requests to Indepabis in the hopes that the agency will sit down with a coalition of chambers from various industries to discuss the law. In spite of the bottle neck caused by companies waiting for approval for each of their proposed sales promotions, 25 percent of which Indepabis disapproves, the franchise business is still booming. Prior to the elections, XXXXXXXXXXXX said, the government was so busy campaigning it was not taking care of the daily business of running the country. Following the elections, XXXXXXXXXXXX is hopeful that the industry will be able to develop a reasonable relationship with Indepabis in spite of his sense that Indepabis feels there is simply "too much advertising." In his opinion, restaurant closures and promotion bans were wildly unpopular with the public and Indepabis might now be more inclined to sit down with industry to discuss transparent implementing regulations. He complained, however, that the minute the Chamber starts to make inroads with one minister and his staff, they are replaced and the Chamber has to begin again.

15. (C) COMMENT: The sometimes comical Indepabis rulings serve as yet more examples of the Venezuelan government's visceral distaste for big business. As the government faces falling oil prices and the subsequent shortage of dollars, more attacks on foreign companies that promote "excessive consumption" are likely. Nevertheless, as XXXXXXXXXXXX opined, while the government can change the rules of the game as often as it likes, it cannot stop the game from being played. For the sake of US franchises, car sales etc., one can only hope he is correct. END COMMENT.

CAULFIELD